PACIFIC NATIONAL EXHIBITION

ANNUAL REPORT 2000

DOC
BC
P225
B
2000
c.3

tradition • excellence

Board of Directors

Ian Aikenhead, President
Carol Nielson, Vice-President
George Chen, Treasurer
Tom Fawkes, Executive
Merrilee Robson, Executive
Don Bellamy
Dave Long
Carole Olsen
Alfonso Osorio
John Plul
Shane Simpson
Amrik Sangha
Heidi Redl
Munna Prasad
Suki Bahia
Darlene Haber

Corporate Governance Practices

The Pacific National Exhibition is a provincial crown corporation. It has a provincially appointed board of directors which discharges responsibility of day-to-day operations to the General Manager and Chief Executive Officer of the corporation.

The Board of Directors of the Pacific National Exhibition assumes responsibility for the stewardship of the corporation. Its primary objectives are to showcase the people and culture of British Columbia to the world and, in turn, showcase the entertainment and cultural events of the world to the people of British Columbia.

During 2000, the corporation held monthly board meetings. As well, a number of committee meetings were held with representatives of the Board sitting on each committee.

Committee Board Representative

Executive and Finance Committee	**Ian Aikenhead**, Chair
Agriculture Advisory Committee	**Carole Olsen**, Chair
Entertainment Committee	**Tom Fawkes**, Co-Chair
	Don Bellamy, Co-Chair
Marketing Committee	**John Plul**, Chair
Hospitality Committee	**Don Bellamy**, Co-Chair
	Dave Long, Co-Chair
Neighbourhood Impact Committee	**Merrilee Robson**, Co-Chair
	Shane Simpson, Co-Chair
Relocation Committee	**Ian Aikenhead**, Chair

3 3298 00263 3585

INDEX

Report from the President of the Board & the General Manager & CEO . . . 4

Economic Impact of the Pacific National Exhibition . . . . . 6 & 7

Social Impact of the Pacific National Exhibition . . . . . 8 & 9

Overview by business stream 10–12

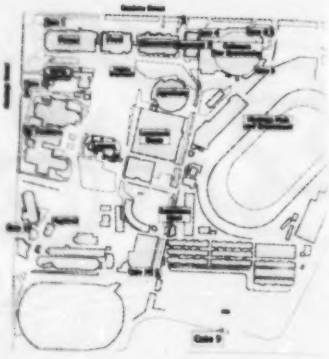
Looking Forward 13

Financial Report 14

"We will enhance the Pacific National Exhibition's tradition of providing fun-filled memories for every guest by developing a world-class entertainment themed amusement destination."

...from the President of the Board
...& the General Manager & CEO

Fiddle acrobatics lands the big one



In any type of business or endeavor, it is a healthy sign when an organization has the ability to remain focused when faced with unusual challenges or circumstances. This is certainly true of the Pacific National Exhibition ("PNE") who, as a corporation, faced one of its most critical years in its history in the year 2000 and came out with measurable success.

The corporation reached an operating agreement with the City of Vancouver in June of 1999 to remain at Hastings Park until December 31st, 2002. But during the past year the pressure of maintaining a financially viable corporation in light of the drastically shrinking footprint of the Pacific National Exhibition's Hastings Park site continued.

The Vancouver Parks Board embarked on the third phase of their site-wide greening program, spending much of the year converting a 10-acre parcel of the property at the eastside of the grounds into an Italian Park and skateboard facility.

The PNE responded to the loss of this crucial area by once again reinventing itself within the changing site. Staff at all levels worked to reorganize the PNE's flagship program, the annual seventeen-day summer Fair, into the latest incarnation of Hastings Park. Once again, this task was achieved and the Fair reported impressive attendance and revenues.

Year-round activity for the corporation saw over 1600 on-site event dates take place at the PNE grounds during 2000, generating gross revenue of $4.5 Million, an increase of one million dollars over 1999. The corporation's Playland division exceeded its gross revenue targets by 5%, and saw an increase in attendance of 29%, attributed to the acquisition of its three thrill rides. For the first time in many years management decided to extend Playland's season until October 9th.

Financial Performance

As a corporation the Pacific National Exhibition enjoyed a solid year, showing a continuing improvement in working capital.

Investments in attractions and programming produced a significant increase in operating earnings. The corporation also reduced its outstanding loans from $5.8 million in 1999 to $2.5 million in 2000. Larger than normal charges for depreciation on the new thrill rides (larger due to the short time remaining on the corporation's site lease) had a significant impact on bottom line results, which show a 8.7% improvement from last year.

102-02105/

Acknowledgements

The Pacific National Exhibition enjoyed a very successful year in 2000. This is due in no small part to the exemplary efforts of employees in all divisions and at all levels.

We also wish to thank outgoing Board of Director's members Heidi Redl, Munna Prasad, Darlene Haber and Sukhi Bahai for their advice and counsel during their time on the board.

Shaping Our Future

As has been the case in recent years, the discussion over the relocation of the Pacific National Exhibition continues to be a matter of much staff, media and public speculation. The corporation is continuing to work with both local and provincial levels of government to secure a viable location for the PNE.

To date, the PNE has identified a number of sites which could serve as the future home of the corporation, and detailed analysis of each site is underway.

Our future does not look like our past. As a corporation the PNE must shape our future in the light of new competitive challenges and new opportunities at a new location. We must utilize and maximize each of our three business streams at the Hastings Park site in order to properly position ourselves for a viable future at a new site. Our vision for a new, energized and invigorated PNE will be underpinned by these themes:

Value – value for our guests, clients, exhibitors and partners.

Excellence – work diligently to create superior entertainment events and attractions. Support and foster growth with like-minded events and partners.

Tradition – respect the key role the Pacific National Exhibition has played within the fabric of this province and continue to improve upon that history.

We intend to achieve these long-term goals while at the same time remembering our commitment — to provide quality, family entertainment for all the people of British Columbia.

Ian Aikenhead
President and Chairman of the Board of Directors

Annette Antoniak
General Manager and Chief Executive Officer

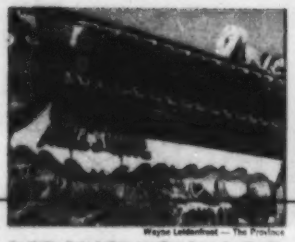
P N E T I M E L I N E 1 9 1 0 - 1 9 1 9

August 16, 1910. Prime Minister Wilfred Laurier officially opened the Vancouver's first Exhibition.

1914-18. The fair remained open during the war years to help inspire a 'Business as Usual' confidence in Canada. The grounds were used to mobilize many of BC's troops, housing soldiers in tents.

10 GREAT

Every week, we give you our picks for 10 great places to go or things to do in the Lower Mainland



Wayne Leidenfrost — The Province

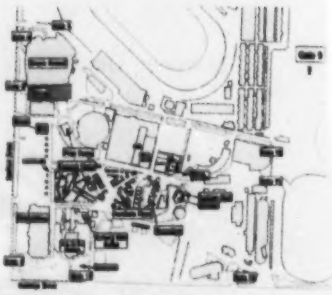
Do Hell's Gate before scarfing down doughnuts.

Wayne Leidenfrost — The Province

Doughnuts can boost sugar levels after rides.

More people attend events at the PNE facilities annually than at any other provincial venue. Total annual attendance at the over 200 events held on the PNE grounds throughout the year is estimated to be 3 million. Annually over a million people visit the PNE Fair and annual attendance at Playland grew by over 29% in 2000 to 287,299 up from 223,253 in 1999.

Economic Impact of the Pacific National Exhibition



The Pacific National Exhibition Crown Corporation generates revenue from three business streams: the annual 17-day Fair, Playland Amusement Park and the year round building and facility rentals. Each of its business streams contributes to the PNE Crown Corporation and plays a significant role in the BC tourism sector.

Tourism is one of the fastest growing industries of the British Columbia economy. Visitors to the region create and sustain thousands of jobs and billions of dollars in economic activity. Annually the region's tourism sector attracts 8.3 million overnight visitors to Vancouver, employs 103,867 people, pays workers a total of $2.2 billion in wages and salaries, pays government $1.4 billion in taxes, generates $3.4 billion of B.C.'s Gross Domestic Product (GDP), and $6.2 billion in the form of all economic activity as a result of visitor spending. *(Source: Tourism Vancouver, 1999)* Many of those tourists came to Vancouver/British Columbia to take in the events held on-site at the Pacific National Exhibition.

In 2000 the PNE received contributions valued at $4.7 million from sponsors and generated revenue of $31 million, with a far greater economic impact in terms of the total spending in the region by all visitors to the PNE.

More people attend events at the PNE facilities annually than at any other provincial venue. Total annual attendance at the over 200 events held on the PNE grounds throughout the year is estimated to be 3 million. Annually over a million people visit the PNE fair and annual attendance at Playland grew by over 29% in 2000 to 287,299 up from 223,253 in 1999.

Exhibition buildings became available for conventions and meetings and a small zoo opened.

An aquarium was established and maintained as was a major campground.

Vancouver's first public golf course was created.

A permanent carnival midway, "Happyland" boasted two roller coasters and a water ride called Shoot-the-Chutes.

PNE TIMELINE 1920-1929

1924. What is now BC's oldest Ferris Wheel was built.

1924. Columbia Aviation unveils huge aviation display.

1928. Canadian debut of the rotary telephone hosted.

Top 30 North American Fairs by Total Attendance

Source: Amusement.tbusiness.com 1999

Based on attendance, the annual Fair is currently the third largest in Canada and the fourteenth largest in North America.

Economic impact is not generated solely by the annual Fair and Playland attractions, as aforementioned. As a major player in the Lower Mainland's trade and consumer show industry, events held on-site throughout the year have a major economic impact during tourism's low and shoulder seasons as well as during the summer.

Economic impact is not generated solely by the annual Fair and Playland attractions, as aforementioned. As a major player in the Lower Mainland's trade and consumer show industry, events held on-site throughout the year have a major economic impact during tourism's low and shoulder seasons as well as during the summer.

The trade and consumer show sector is an important contributor to tourism in BC. An estimated 141,960 delegates attended 352 conventions and trade shows in Greater Vancouver in 1999. *(Source: Economic Impact of Conventions in Greater Vancouver – 1999 Tourism Vancouver)* Of those, over 25% (37,435 actual figure for year 2000) delegates attended a trade show or convention on the PNE grounds. The BC convention sector paid $125 Million in wages and salaries, $81 Million in taxes to all levels of government and employed over 6,000 people in 1999. Total spending by these conventions and delegates contributed approximately $200.1 Million to the region's economy. *(Source: Economic Impact of Conventions in Greater Vancouver – 1999 Tourism Vancouver)*

The PNE contributes to the growth and development of this sector by providing the largest venue in BC for trade fairs and conventions with a total square footage of 267,644. This represents a fifth of the total convention space in Vancouver (as disclosed by the Business in Vancouver Top 20 Convention and Meeting Venues, Business in Vancouver Book of Lists 1998). To illustrate this further, in terms of convention space the PNE equals 6.5 Hotel Vancouver's, 12 Pan Pacific Hotels or 5 Science Worlds.

The PNE also provides BC's largest on-site movie and television location and in 2000 grossed over $1 million in fees for 1000 shooting dates. Hosted productions featured such international stars such as Ben Affleck, Sharon Stone, Arnold Schwarzenegger, Sylvester Stallone and Salma Hayek.

P N E T I M E L I N E 1 9 3 0 - 1 9 3 9

1930. Over one thousand people applied for two hundred available jobs. Preference was given to returned soldiers, civic ratepayers and married men with families.

1931 The Forum was built.

1934. The first Exhibition Prize Home Lottery was established.

1935. A parade was added to the yearly cycle of activities.

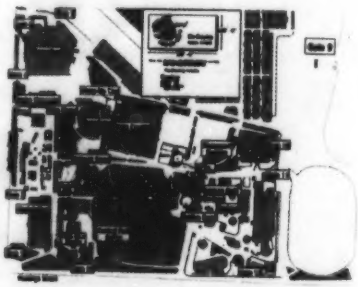
Jobs, jobs, jobs

HERE FOR INT-VIEW

Thousands of young people line up for PNE jobs last year

cial Impact of the ific National Exhibition

Since 1910 the PNE Fair has been an end of summer ritual for generations of British Columbians, acting as a bridge between the urban and rural cultures of the province. A 1999 survey showed, 98% of all visitors were from BC, with 74% hailing from the Lower Mainland. The majority of visitors return year after year illustrating their loyalty to the PNE. British Columbians love the PNE. Throughout the 1990's more than 8 out of 10 visitors consistently assessed their visit to the Fair as being 'excellent' or 'good.' The PNE also appeals to all cultures and backgrounds. Visitors whose first language is not English were almost twice as likely to rate their visit as 'excellent' than those with English as their first language. *(Source: PNE Market Research reports)*



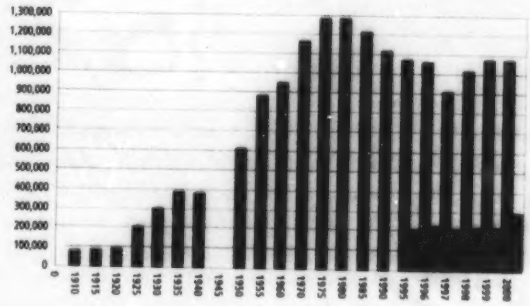
This is a true reflection of the fact that the PNE has been an engine for the development of Vancouver and its tourism industry.

The following shows the growth in visitors to the PNE fair since 1910:

PNE Fair & Playland Attendance

■ *PNE Fair attendance*

■ *Playland attendance*



Source: PNE Archives

In 1999, an estimated 250,000 visitors (25% of the total attendance for that year) indicated that the PNE grounds are a vital part of Vancouver's heritage and tradition. This is a true reflection of the fact the PNE has been an engine for the development of Vancouver and its tourism industry.

Displays of army hardware, soldiers drill corps, and patriotic floats were the highlight of the annual parade during the war years. War savings certificate displays and exhibits promoting the war effort filled the fair grounds.

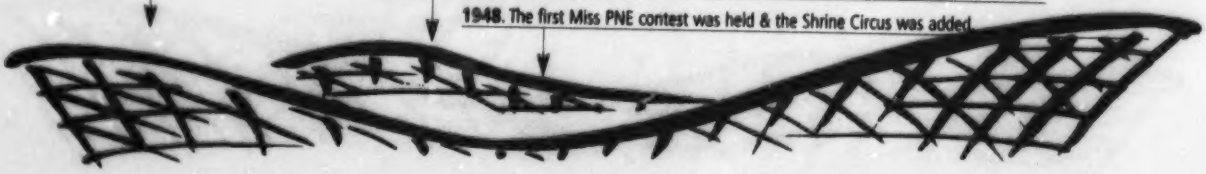
Hastings Park became the processing center for thousands of Japanese-Canadians who were evacuated inland because of federal government fears.

P N E T I M E L I N E 1 9 4 0 - 1 9 4 9

1942-1946. There was no fair during these years. The federal government used the facilities for storage, as a manning center for the armed forces, and as a drill practice area.

1946. A new name was selected: Vancouver's fair became known as the Pacific National Exhibition.

1948. The first Miss PNE contest was held & the Shrine Circus was added.



The location of the exhibition grounds, the same today as in 1910, was one of the spurs for the growth of Vancouver along Hastings Street during the 20th Century. Successful exhibitions such as the BC Home and Garden Show and the BC Boat Show were conceived and incubated at the PNE fair before spinning off into independent, successful events.

... for 90 years the PNE has been a major contributor to the recreational and socio-cultural environment in Vancouver

One of the major impacts for which the PNE is most proud of is its reputation for providing job ready skills and training to generations of young British Columbians. The PNE is the largest employer of youth in the province. Focus has been on providing valuable and transferable job skills in areas such as customer service, teamwork, communications, hospitality, finance, warehousing, public safety and security, agriculture and entertainment.

As a measure of how successful the PNE has been in building a team of talented youth workers, 1999 visitors to the fair were asked to rate the level of service they received. Using a 10-point scale, over half the visitors rated scores of 8 or more.

The PNE is a registered charity that generates funding for its non-revenue producing attractions such as agriculture, as well as the seniors, youth and kids talent events through its Prize Lottery Program. In 2000, the PNE Prize Lottery generated $3.1 Million to fund the aforementioned programs.

Vancouver ranked as the premier city in the world for quality of life based on an international survey released in November 2000 which compared 215 cities worldwide. Cities were evaluated upon criteria grouped into ten categories, two of which were Recreation and Socio-Cultural Environment. *(Source: William M. Mercer Companies)*

With so much evidence supporting the contention that for 90 years the PNE has been a major contributor to the recreational and socio-cultural environment in Vancouver, there is no doubt that its continued existence has positively impacted generations of British Columbians. The federal government has recognized this impact on the social fabric of the province by choosing to open its new pavilion at the 2000 Pacific National Exhibition under the theme "Building a Higher Quality of Life for All Canadians."

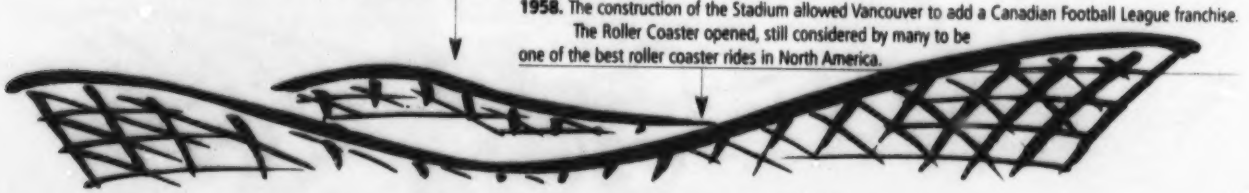
Entertainment became a major focus of the annual fair. Elvis Presley performed as did such headline acts as Jimmy Durante and Edgar Bergen.

The PNE opened Canada's largest sporting facility at the time, The Empire Stadium.

PNE TIMELINE 1950-1959

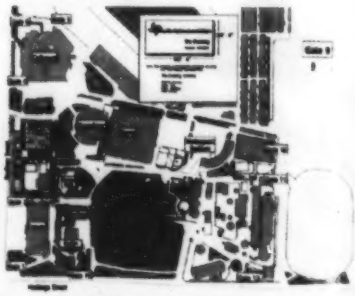
1954. British Empire Games (former name of the Commonwealth Games) held at the Empire Stadium, which included the world famous 'Miracle Mile' race between Roger Bannister and John Landy.

1958. The construction of the Stadium allowed Vancouver to add a Canadian Football League franchise. The Roller Coaster opened, still considered by many to be one of the best roller coaster rides in North America.



Overview of the Pacific National Exhibition by business stream

Year-round events



In 2000, the Pacific National Exhibition hosted over 200 on-site events, drawing an attendance of over 3 million visitors. This included trade shows, conventions, concerts, movie shoots, as well as sporting and cultural events. The budget for this department (Facility Sales) was set at an aggressive $4.1 Million dollars. By year's end, the department generated $4.5 Million in gross revenue for the corporation, surpassing their budget by almost 10%. Events of particular interest included the Wicked all-night dance party, the two-night Tragically Hip concert series and the GooGoosh Iranian concert as well as British Columbia's largest assembly, the Watchtower convention.

A new endevour in the PNE's year-round event activity was the decision by senior management to add all-night dance parties into the PNE's event schedule. After extensive research and discussion at both the senior staff and board level, the decision to provide a safe and well-staffed venue for the young people who attended these events, coupled with the strong revenue potential, was made. Year-round events staff work closely with the City of Vancouver's Festival Committee, as well as the Vancouver City Police Department, in the programming of each one of these events. In total, 2 dance parties, with over 7000 people attending, were held on the PNE grounds (in the Pacific Coliseum and the Agrodome) in 2000.

Playland Amusement Park

In April, 2000 the corporations Playland division opened amid much anticipation. The Board of Directors had given approval to acquire three new thrill rides for the start of the season, marking

P N E T I M E L I N E 1 9 6 0 - 1 9 6 9

1963. Attendance figures for the fair top the one million mark for the first time.

1964. The Beatles performed.

1968. The Pacific Coliseum was built.

the largest single season purchase in Playland history. The three attractions totaled a capital lease investment of over $7 million dollars.

All Playland budgets were aggressively positioned to reflect the sizable capital non-Fair time revenue investment. Due to intensive planning and strategic market positioning by staff, Playland exceeded its budget of $6.2 Million, a 58% increase over 1999. In 2000, 287,299 guests visited Playland a 29% increase over 1999 and a record for the corporation.

For the first time in several years, Playland extended its season into the fall, operating weekends and holidays between September 4th and October 9th. This proved to be a positive business venture, as the division's annual budget was realized during the fall season.

Also of note, sales of Playland's Season Pass program, designed to create customer loyalty, reached an all-time high of 6400, doubling the 1999 sales numbers.

The Fair at the PNE

The 86th Fair at the PNE was both a critical and financial success. Total attendance was 1,055,292. Revenue generated was a total of $19 million up $1 million over 1999, for a total of $18.88 per person (per cap ratio).

In all, the Fair at the PNE employed 8000 direct and indirect on-site jobs. Of that 2800 PNE employees were youth, making the PNE the largest employer of young people in British Columbia.

Hundreds of different events, exhibits and attractions were taken in by PNE visitors with the most popular programs being the Superdogs Show, Prize Home tours, Demolition Derby and the Agricultural Area respectively.

Trade shows including the B.C. International Trade Show, the Boat Show and the Home Show were established as annual attractions before successfully going out on their own.

Skana the Whale debuted at the fair's Boat Show and was so popular that she was transferred to the Vancouver Aquarium, becoming a major city attraction.

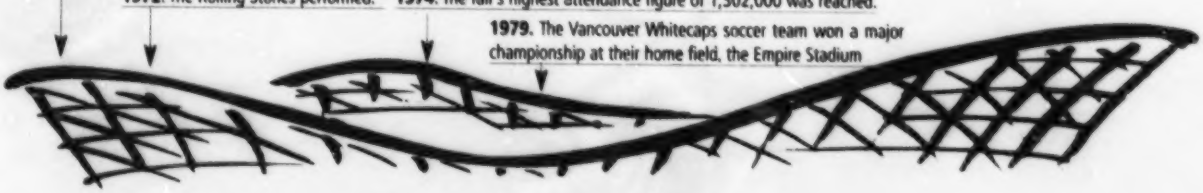
P N E T I M E L I N E 1 9 7 0 - 1 9 7 9

1970-71. The Vancouver Canucks hockey team joined the NHL for their first season with games played at the Pacific Coliseum.

1972. The Rolling Stones performed.

1974. The fair's highest attendance figure of 1,302,000 was reached.

1979. The Vancouver Whitecaps soccer team won a major championship at their home field, the Empire Stadium



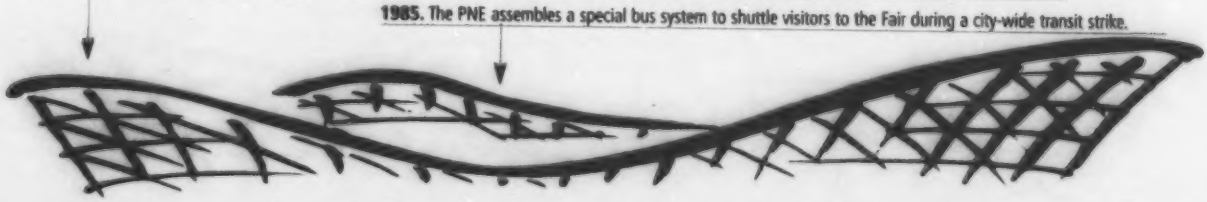
PNE 遊樂場開幕 新機動遊戲受歡迎

Most Popular Entertainment Programs at the 86th Fair at the PNE

PNE TIMELINE 1980-1989

1981. The PNE presents the Asia-Pacific Pavilion as part of its Fair programming. The first series of major pavilion presentations over the next decade.

1985. The PNE assembles a special bus system to shuttle visitors to the Fair during a city-wide transit strike.



Hot dance gigs new at the PNE

Urban Storm, Rea in the Night debut with 5 fresh faces,

Looking ahead

These challenges are beyond the control of the corporation, and we are confident that they will be overcome due to the historic importance of the PNE, as well as the economic benefits all coupled with a strong internal management team with a clear focus and strong business plan

As we look to the future, we are enthusiastic about what we see. The PNE has a solid foundation from which to grow. Our strategic plan focuses on the requirement to secure a new location for the corporation and to begin to work towards the eventual relocation of the Pacific National Exhibition, including all three of its business streams, to that new home.

At the forefront of the challenges facing the PNE in the coming year is the shrinking footprint of the Hastings Park site. As the city of Vancouver continues its site wide greening process, the portion of the site available for entertainment programming, parking and leasable space continues to be reduced. This results in the annual Fair having to be completely reinvented and reorganized each year. This shrinking footprint also dramatically reduces revenue potential from on site parking as well as year round business such as movie and facility rentals.

On December 31st, 2000 the collective agreement with the PNE's 3200 unionized employees represented by CUPE comes to an end. The corporation will enter into collective bargaining in the spring of 2001.

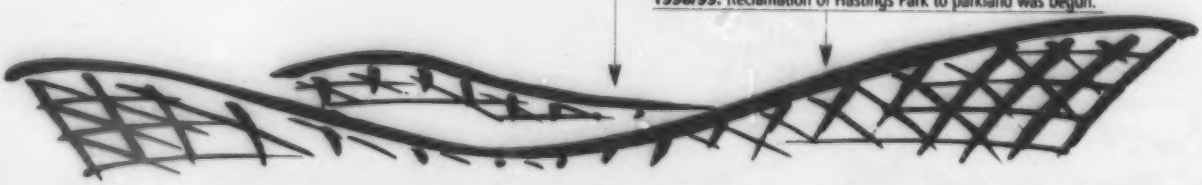
Hockey will once again fill the Pacific Coliseum. September, 2001 will mark the inaugural season of the Western Hockey League franchise, the Vancouver Giants. The Giants will play a minimum thirty-two home games at the Coliseum.

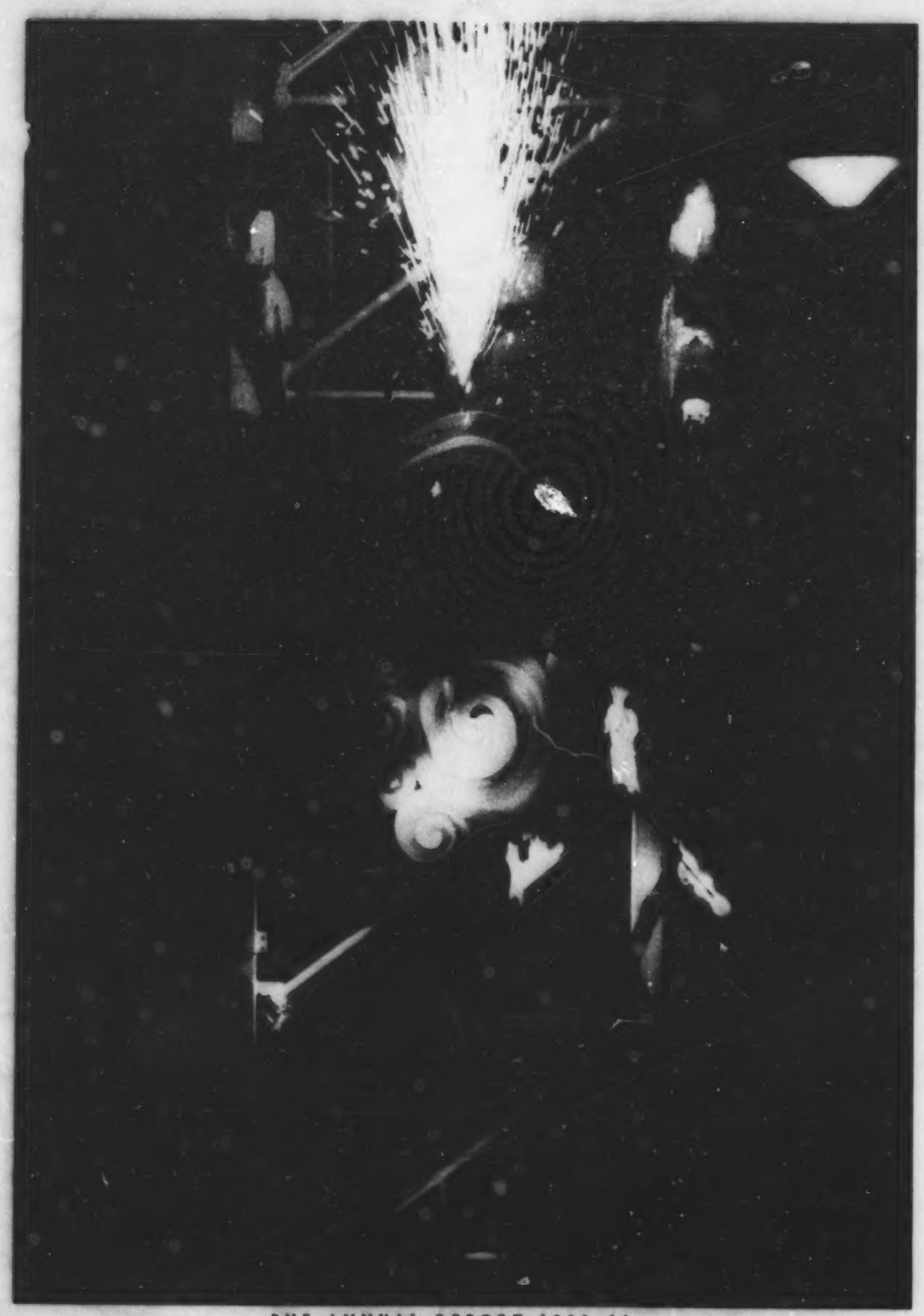
The Pacific National Exhibition is a company that values its relationships with its employees, guests, corporate and media partners, suppliers, and community. The challenges we face have not stopped us from maintaining our culture and values. We proudly remain British Columbia's oldest and best-loved tourist event.

P N E T I M E L I N E 1 9 9 0 - 2 0 0 1

1997. Hastings Park became the property of the City of Vancouver.

1998/99. Reclamation of Hastings Park to parkland was begun.





PRICEWATERHOUSECOOPERS

Pacific National Exhibition

Financial Statements
December 31, 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
601 West Hastings Street
Suite 1400
Vancouver British Columbia
Canada V6B 5A5
Telephone +1 (604) 806 7000
Facsimile +1 (604) 806 7664

February 23, 2001
(except for note 5, which is as of March 28, 2001)

Auditors' Report

To the Directors of
Pacific National Exhibition

We have audited the balance sheet of **Pacific National Exhibition** as at December 31, 2000 and the statements of changes in net assets, revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Exhibition's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Exhibition as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Pacific National Exhibition Incorporation Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization

Pacific National Exhibition

Balance Sheet

As at December 31, 2000

	2000 $	1999 $
Assets		
Current assets		
Cash	34,404	62,611
Accounts receivable	864,723	1,622,934
Inventories	489,902	532,662
Prepaid expenses	37,060	16,304
Deposit on amusement ride	-	294,281
	1,426,089	2,528,792
Capital assets (notes 3 and 5)	7,905,605	2,197,027
	9,331,694	4,725,819
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	2,142,237	1,631,493
Bank loan (notes 4 and 5)	2,480,000	5,790,000
Deferred revenue	146,046	210,524
Deferred contributions (note 5)	1,118,681	-
Current portion of obligations under capital leases (note 6)	912,042	72,207
	6,799,006	7,704,224
Deferred contributions (note 5)	212,242	-
Obligations under capital leases (note 6)	5,961,587	39,741
	12,972,835	7,743,965
Net assets		
Net assets invested in capital assets	819,734	2,085,079
Unrestricted net assets	(4,460,875)	(5,103,225)
	(3,641,141)	(3,018,146)
	9,331,694	4,725,819

Nature and future of operations (note 1)

Commitment (note 9)

Approved by the Board of Directors

Director

Director

PRICEWATERHOUSECOOPERS

Pacific National Exhibition

Statement of Changes in Net Assets

For the year ended December 31, 2000

			2000	1999
	Invested in capital assets $	Unrestricted $	Total $	Total $
Net assets - Beginning of year	2,085,079	(5,103,225)	(3,018,146)	(2,336,103)
Excess (deficiency) of revenue over expenditures for the year	(1,701,467)	1,078,472	(622,995)	(682,043)
Purchase of capital assets with unrestricted funds	79,887	(79,887)	-	-
Principal payments under capital leases	356,235	(356,235)	-	-
Net assets - End of year	819,734	(4,460,875)	(3,641,141)	(3,018,146)

PRICEWATERHOUSECOOPERS

Pacific National Exhibition

Statement of Revenue and Expenditures

For the year ended December 31, 2000

	2000 $	1999 $
Revenue		
Events	31,174,658	26,492,086
Province of British Columbia contribution	17,500	1,117,500
City of Vancouver contribution	-	500,000
Amortization of deferred contributions (note 5)	106,077	-
	31,298,235	28,109,586
Operating expenditures	29,723,115	27,528,179
Operating earnings	1,575,120	581,407
Other expenditures		
Depreciation	1,807,544	402,899
Interest on bank loan	260,926	294,346
Interest on capital leases	129,645	16,205
City of Vancouver	-	550,000
	2,198,115	1,263,450
Deficiency of revenue over expenditures for the year	(622,995)	(682,043)

PRICEWATERHOUSECOOPERS

Pacific National Exhibition

Statement of Cash Flows

For the year ended December 31, 2000

	2000 $	1999 $
Cash flows from operating activities		
Deficiency of revenue over expenditures for the year	(622,995)	(682,043)
Items not affecting cash		
Depreciation	1,807,544	402,899
Amortization of deferred contributions	(106,077)	-
	1,078,472	(279,144)
Net change in non-cash working capital items, excluding current portion of obligation under capital leases and deferred contributions	1,520,762	(1,665,482)
	2,599,234	(1,944,626)
Cash flows from financing activities		
Contributions received to acquire capital assets	1,437,000	-
Increase (decrease) in bank loan	(3,310,000)	2,160,000
Principal payments under capital leases	(356,235)	(103,082)
	(2,229,235)	2,056,918
Cash flows from investing activities		
Purchase of capital assets	(398,206)	(93,396)
Increase (decrease) in cash	(28,207)	18,896
Cash - Beginning of year	62,611	43,715
Cash - End of year	34,404	62,611
Supplementary information		
Non-cash financing activity		
Increase in capital lease obligations	7,117,916	-
Non-cash investing activity		
Capital asset additions financed with capital leases	(7,117,916)	-
Interest paid	305,102	310,551

PRICEWATERHOUSECOOPERS

1 Nature and future of operations

The Pacific National Exhibition (the Exhibition) was incorporated by the Province of British Columbia (the Province) under the Pacific National Exhibition Incorporation Act of British Columbia for the purpose of furthering agricultural and other industries, and promoting community development. The Exhibition is a not-for-profit entity and, accordingly, no income tax provision or related accounts are presented in these financial statements. The Exhibition operates on a site (Hastings Park) under an operating agreement with the City of Vancouver (the City).

On June 24, 1999, City Council approved an extension of the Exhibition's use of Hastings Park, in the form of an Operating Agreement (the Agreement). A formal written agreement with the City has not been executed and is being finalized. However, all parties to the Agreement are acting in accordance with the proposed terms. Significant terms of the Agreement are:

- The term of the Agreement will be for three years commencing January 1, 2000 and terminating December 31, 2002.
- Restoration of Hastings Park will continue during the term of the Agreement.
- The Exhibition will pay an operating fee to the City of $1 per year.

The Exhibition will pay for the maintenance and all operating costs associated with the premises. The City will contribute to the maintenance of Hastings Park only in those years where the Exhibition incurs an operating loss as defined in the Agreement. The City's annual contribution will be equal to the lesser of $300,000 or the amount of the operating loss incurred in the year. The definition of operating loss under the Agreement is still under discussion. No recovery has been recorded for the year ended December 31, 2000.

The Exhibition is continuing to actively assess alternative sites for relocation. However, there is no assurance that the Exhibition will be able to secure a suitable site.

Due to the uncertainty about the future location of the Exhibition, management is unable to estimate the amount, if any, of shutdown costs relating to moving from the Hastings Park site. Accordingly, no provision has been made in these financial statements for shutdown costs. The ultimate cost, if any, cannot be determined until the future location and format of the Exhibition is determined.

As at December 31, 2000, the Exhibition had a net asset deficiency of $3,641,141 (1999 - $3,018,146). The Exhibition's ability to continue as a going concern depends on its ability to generate operating profits in the near future, continued support from the Province, and its ability to find a new site and finance its redevelopment or remain at the current site. These financial statements have been prepared on the basis that the Exhibition will realize its assets and discharge its liabilities in the normal course of operations.

2 Summary of significant accounting policies

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures for the reporting period of the statement of revenue and expenditures. Actual results could differ from those estimates.

Capital assets

Capital assets are recorded at cost less accumulated depreciation.

The Exhibition depreciates its assets on a straight-line basis to estimated salvage values over the remaining term of the Agreement, which expires December 31, 2002. Management has estimated total salvage values to be $4,300,000.

Inventories

Inventories consist of stores, plush toys, food and beverages, and are valued at the lower of cost and replacement cost.

Revenue recognition - contributions

The Exhibition follows the deferral method of accounting for contributions. Contributions are recorded as revenue when received or receivable except when the donor has specified that they are intended for use in a future period, in which case they are deferred. Contributions are recognized when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received to fund capital asset acquisitions and improvements are deferred until the specified expenditures are incurred. These contributions are recognized as revenue on the same basis as the related capital assets and improvements are depreciated.

Deferred revenue

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract.

3 Capital assets

	Cost $	Accumulated depreciation $	2000 Net $	1999 Net $
Machinery, furniture and equipment	2,287,159	1,907,939	379,220	422,335
Playland rides and equipment	6,366,235	4,752,467	1,613,768	1,751,470
	8,653,394	6,660,406	1,992,988	2,173,805
Leased assets	7,359,020	1,446,403	5,912,617	23,222
	16,012,414	8,106,809	7,905,605	2,197,027

4 Bank loan

The Exhibition has the following credit facilities with a Canadian chartered bank:

	2000		1999	
	Available $	Outstanding $	Available $	Outstanding $
Seasonal operating line	3,000,000	-	3,000,000	-
Operating line	12,000,000	2,480,000	12,000,000	5,790,000
	15,000,000	2,480,000	15,000,000	5,790,000

A general security agreement covering all assets and undertakings of the Exhibition has been provided as security for the seasonal operating line and operating line. Additionally, the Province has provided a guarantee expiring on December 31, 2002 for the $12 million operating line. The operating line bears interest at prime rate. All amounts borrowed under the operating line are due and payable in full on July 1, 2001 unless the bank agrees, prior to the maturity date, to convert the operating line into a demand loan or renegotiates the facility.

The seasonal operating line is available from June 15, 2001 until September 15, 2001 and can only finance seasonal costs associated with the annual fair in excess of the $12 million operating line. The facility bears interest at prime rate. All amounts borrowed under the seasonal operating line are due and payable in full on September 15, 2001 unless the bank agrees, prior to the maturity date, to convert the seasonal operating line into a demand loan.

The guarantee by the Province of the Exhibition's debt includes the amount of any letters of credit outstanding. Letters of credit outstanding total $45,000 as at December 31, 2000 (note 7).

5 Deferred contributions

During the year, $1,437,000 was received from the Province to fund capital upgrades and improvements to the Exhibition's facilities. Of this amount, $318,319 was spent in 2000 on specified projects. The unspent balance of $1,118,681, which will be utilized in future years, was temporarily used to reduce the Exhibition's operating line (note 4). Subsequent to year end, the $1,118,681 was transferred into a separate bank account.

The contributions spent in 2000 have been amortized to revenue as follows:

	$
Balance - Beginning of year	-
Add: Contributions used to acquire capital assets	318,319
Less: Amounts amortized to revenue	(106,077)
Balance - End of year	212,242

6 Obligations under capital leases

The future minimum lease payments under capital leases are as follows:

	$
Year ending December 31	
2001	1,353,725
2002	1,641,020
2003	2,561,981
2004	761,313
2005	1,950,087
	8,268,126
Less: Amount representing interest	1,394,497
	6,873,629
Less: Current portion	912,042
	5,961,587

Interest rates on capital leases average 7.27% annually.

The capital leases provide that at the end of the respective lease terms, the Exhibition is required to either extend the term of the leases, purchase the assets based on a pre-determined purchase option price, or return the asset to the lessor and pay the lessor any shortfall between the fair value of the asset upon return and a pre-determined residual value.

The above schedule of lease payments assumes that the purchase options are exercised at the end of the lease term.

7 Letters of credit

The following letters of credit are outstanding as at December 31, 2000:

	$	Expiry
Brewers' Distributions Ltd.	35,000	August 27, 2001
Liquor Distribution Branch	10,000	August 27, 2001
	45,000	

8 Superannuation fund

The Exhibition contributes to the British Columbia Municipal Superannuation Fund for eligible employees.

9 Commitment

During 2000, the City agreed to repair the roof of the Coliseum building on the understanding that the Exhibition would contribute to the costs associated with the work. The Exhibition and the City have agreed that, subject to formal documentation and subject to the use of the Coliseum during the period by the Vancouver Giants WHL hockey team, the Exhibition will pay $100,000 annually to the City in 2001 and 2002.

Values and Ethics of the Pacific National Exhibition

Guest service and satisfaction are the reasons we are in business.

We provide the best entertainment value for our guests in a clean, safe and fun environment.

We build on our history and tradition while creating our future.

We treat all individuals with honesty, fairness, dignity and respect.

We are flexible, innovative, creative and proactive.

We are committed to the growth and profitability of the organization.

We work together and support each other to achieve corporate and individual potential.

We are results driven, externally focused and continuously improving.

We act as a socially and environmentally responsible corporate citizen.

Sources:

PNE Crown Corporation

1999 Annual Report: Pacific National Exhibition

1999 Pacific National Exhibition

Exit Survey Highlight Summary (TTI Market Explorers Inc.)
1995 Fair Exit Survey (Angus Reid Group)
1994 Fair Visitor Survey (Information Please)

PNE Web Site

http://www.pne.bc.ca/fair/

Business in Vancouver

1998 Book of Lists

Greater Vancouver Economic Partnership

http://www.gvp.bc.ca/html/tour.html

Tourism Vancouver

www.tourism-vancouver.org

Amusementbusiness.com

David Breen, Ken Coates

Vancouver's Fair, An Administrative & Political History of the Pacific National Exhibition ISBN 0-7748-0161-1